

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

CHAPARRAL ENERGY, L.L.C.

AI # 548

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-MM-05-0045
*
* Enforcement Tracking No.
* MM-CN-02-0111
*
*
* Docket No. 2004-8084-EQ
*

SETTLEMENT

The following Settlement is hereby agreed to between Chaparral Energy, L.L.C. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a limited liability company operating an oil and gas production facility located in the Oakley Oil and Gas Field in Napoleonville, Assumption Parish, Louisiana ("the Facility").

II

On June 6, 2003, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. MM-CN-02-0111, to Respondent, which was based upon the following findings of fact:

The Respondent does not have a Louisiana Pollutant Discharge Elimination System (LPDES) permit or any other authority to discharge wastewater and/or other substances to waters

of the state. This facility is required to operate under an Air Permit in accordance with LAC 33:III.Chapter 5.

An inspection conducted by the Department on or about November 4, 2002, in response to a citizen complaint indicated that the facility did not have a levee in some areas of the production tank containment system. The inspector noted dead vegetation around the saltwater injection well. Also, there was a leak from a fitting on the heater/separator which did not have secondary containment. The Respondent's failure to have adequate secondary containment is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, and LAC 33:IX.907.D.

Based on the inspection conducted by the Department on or about November 4, 2002, the Respondent failed to prepare and/or implement an adequate Spill Prevention and Control (SPC) plan. The Respondent's failure to prepare and/or implement an adequate SPC plan is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.1.b, and LAC 33:IX.905.B.

Air emissions generated from the glycol reboiler located at the facility are unpermitted. The Respondent has failed to obtain an air permit prior to the construction, modification, or operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants. This is in violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.

The inspection conducted by the Department on or about November 4, 2002, disclosed that the Respondent has failed to control fumes venting to the atmosphere from a collection drum adjacent to the glycol reboiler. This is in violation of LAC 33:III.905 and Section 2057(A)(2) of the Act.

The Respondent was issued Warning Letter MM-L-02-0111 on or about December 17, 2002, for areas of concerns noted during an inspection by the Department on or about November

4, 2002. The warning letter stated that the Respondent should take any and all steps to ensure compliance with all environmental regulations at the facility.

III

On or about July 11, 2003, in response to the Consolidated Compliance Order and Notice of Potential Penalty, the Respondent notified the Department of nine additional unpermitted facilities (Table 1). Each failure to obtain an air permit prior to the construction, modification, and/or operation of a facility, which ultimately may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.1, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

Table 1	
Facility Name	Agency Interest No.
C. L. & F. #1 Production Facility	33999
J. Aron #2 Production Facility	115476
Amoco Fee #1 Production Facility	116046
Wilberts & Sons #1 Production Facility	116664
Koch Industries #1 Production Facility	116665
General Farms #1 Production Facility	117540
Meadors "A" #1 Production Facility	117722
G. W. Spell #2 Production Facility	117766
Jumonville Secondary Dehy Facility	118023

IV

In response to the Consolidated Compliance Order and Notice of Potential Penalty, Respondent made a timely request for a hearing.

V

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VI

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of TWENTY THOUSAND AND NO/100 DOLLARS (\$20,000.00) of which Six Hundred one and 83/100 Dollars (\$601.83) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VII

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VIII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such

review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

IX

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

X

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Assumption Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XI

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed

Settlement Payment Form (Exhibit A).

XII

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XIII

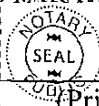
Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

CHAPARRAL ENERGY, L.L.C.

BY: [Signature]
(Signature)
Robert W. Kelly II
(Print)

TITLE: Attorney in Fact

THUS DONE AND SIGNED in duplicate original before me this 1st day of November, 20 05, at Oklahoma City, Ok.

Linda L. Greenwood
NOTARY PUBLIC (ID # _____)
 LINDA L. GREENWOOD
Oklahoma County
Notary Public in and for
State of Oklahoma
(Print) Commission # 99008093 Expires 6/18/07

LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY

Mike D. McDaniel, Ph.D., Secretary

BY: [Signature]
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 21st day of April, 20 06, at Baton Rouge, Louisiana.

Randall S. Beal
NOTARY PUBLIC (ID # 6771)
Randall S. Beal
(Print)

Approved: _____
Harold Leggett, Ph.D., Assistant Secretary